



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012--
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 10, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

**ORDINANCE CHANGE FOR THE LAC+USC MEDICAL EQUIPMENT
ACCUMULATIVE CAPITAL OUTLAY FUND**

On September 16, 2003, your Board instructed my office and the Director of Health Services to work with County Counsel and the Auditor-Controller to draft an amendment to Section 4.16.220 of Title 4 of the County Code to expand the allowable use of funds in the LAC+USC Medical Equipment Accumulative Capital Outlay Fund (ACO Fund) to include other activities related to the LAC+USC Replacement Project, such as transition of patients and staff to the new facility and to make any amendments necessary, as recommended by the Auditor-Controller, to strengthen the oversight of the management of this account.

As directed, County Counsel has drafted the revised ordinance (Attachment I) to amend the ACO Fund to expand the allowable use of these funds, consistent with the Board's action (Attachment II). We are planning to file this ordinance change for introduction on your Board's September 21, 2004 agenda. Specifically, the ordinance change would allow funds to be used for moving and transition activities; acquisition and implementation of an electronic medical records system; fixed, non-fixed and minor (i.e., under \$5,000, classified as services and supplies) medical equipment; and furnishings and furniture for the LAC+USC Replacement Facility. Additionally, this ordinance change will rename the account as the Accumulative Capital Outlay Account - Department of Health Services LAC+USC Medical Center Replacement Account, in accordance with the expanded use of the funds.

Each Supervisor
September 10, 2004
Page 2

While the proposed ordinance change will expand the potential use of these funds, it does not have a direct fiscal impact in itself. On December 2, 2003 your Board approved the Auditor-Controller's recommended guidelines for strengthening the oversight and monitoring of this account (Attachment III), which established a policy which must be followed by the Department of Health Services (DHS) in requesting Board approval for the recommended use of these funds. Therefore, DHS must seek separate Board approval of their itemized spending proposal before these funds can be spent. The Auditor-Controller guidelines did not require specific changes to the ACO Fund ordinance in order to become effective.

If you have any questions, please contact me or your staff may contact Angela Schiller, of my staff, at (213) 974-6879.

DEJ:DIL
SAS:AS:bjs

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Department of Health Services

ANALYSIS

This ordinance amends Title 4 - Revenue and Finance of the Los Angeles County Code, relating to the accumulative capital outlay account for the LAC+USC Medical Center replacement project. In addition to renaming the account, Section 4.16.220 is amended to specify how the account funds may be expended. Specifically, the funds may only be used for moving and transition activities, an electronic medical records system, the acquisition of fixed, non-fixed and minor medical equipment, and furniture and furnishings for the replacement hospital.

OFFICE OF THE COUNTY COUNSEL

By
LEELA A. KAPUR
Assistant County Counsel
Public Services Division

LAK:vec

12/30/03 (requested)

08/03/04 (revised)

ORDINANCE NO. _____

An ordinance amending Title 4 - Revenue and Finance of the Los Angeles County Code, relating to the accumulative capital outlay account for the LAC+USC Medical Center replacement project.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Section 4.16.220 is hereby amended to read as follows:

4.16.220 Accumulative capital outlay account -- Department of health services ~~medical equipment~~ LAC+USC Medical Center replacement account.

A. In addition to all other accumulative capital outlay funds or accounts provided for by this chapter, there is created an account to be known as the "accumulative capital outlay account -- department of health services ~~medical equipment~~ LAC+USC Medical Center replacement account."

B. The following moneys shall be deposited into this account:

1. All funds that are authorized by the board of supervisors for this account;

2. All interest earnings of funds in this account.

C. All moneys deposited into this account shall be reserved for the moving and transition activities related to the replacement hospital, acquisition and implementation of an electronic medical records system for the replacement hospital.

and acquisition of fixed and non-fixed replacement of medical equipment, minor medical equipment (equipment under \$5,000 which is classified as services and supplies) and furnishings and furniture by the department of health services related to the Los Angeles County-University of Southern California Medical Center Replacement Project.

[416220LKCOC]

HOA.215019.1



**MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA**

Violet Varona-Lukens, Executive Officer-
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Each Department/District Head

At its meeting held September 16, 2003, the Board took the following action:

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The following item was called up for consideration:

Chief Administrative Officer's recommendation to approve budget adjustments for use of additional Fiscal Year 2002-03 General Fund, Hospital Enterprise and Special Funds fund balances in Fiscal Year 2003-04 County Budget.

On motion of Supervisor Knabe, seconded by Supervisor Yaroslavsky, unanimously carried, the Board adopted the Chief Administrative Officer's attached recommendations and took various actions as indicated below.

Supervisor Antonovich made the following statement:

"For many years, the citizens in the unincorporated area have benefited from the work of the Department of Regional Planning. This Department has taken an active role in facilitating economic development and in supporting business retention efforts through the timely processing of land development permits. To meet these needs the Board has consistently maintained planning and zoning services to our communities to protect the health and safety of our citizens while recognizing the rights of property owners to develop their land in a timely manner.

(Continued on Page 2)

"The pending workload in the Department of Regional Planning has resulted in an unacceptable level of service at the downtown public counter and at the nine regional field offices where Regional Planning staff are available. Unlike many other jurisdictions that staff their public counters on a full-time basis, Regional Planning's public counter is only open during the afternoons. Additionally, Regional Planning employees are available in the nine field offices on a limited basis, in some instances only one half-day per week (one of these offices, located in Lancaster, is a seventy-mile drive from downtown Los Angeles). This condition must not be allowed to continue since the economic impacts on our business community and housing market would be too great.

"To address this issue, the Department of Regional Planning has already identified priority needs for Fiscal Year 2003-04 in a letter addressed to this Board on May 14, 2003. To appropriately address the immediate need for more case intake and counseling resources, Regional Planning has requested additional funding to expand its ability to provide zoning counseling and planning advisory services at the downtown public counter and in the field offices.

"The funding will increase the service hours at the downtown public information counter by extending hours to include mornings. The funding will significantly increase the service hours that planners are available in the nine field offices.

"Funding for this effort will positively impact the Department's ability to provide convenient, timely and courteous service and promote service excellence to residents in the unincorporated areas. This action will promote quality improvement and organizational effectiveness that responds to the vital role that the Department of Regional Planning plays in business retention and housing production. These measures will implement key reforms recommended in the recent management audit of the Department and further implement the Department's strategic plan.

"The expanded service hours will allow better service to our business community and property owners in the unincorporated area. The recommended action will also implement a portion of the recent management audit conducted in the Department."

(Continued on Page 3)

Therefore, on motion of Supervisor Antonovich, seconded by Supervisor Yaroslavsky, duly carried by the following vote: Ayes: Supervisors Yaroslavsky, Knabe, Antonovich and Burke; Noes: Supervisor Molina, the Board authorized funding in the amount of \$449,000 from the Appropriation for Contingencies to the Regional Planning Department which includes \$160,000 to support expanded service hours in the Department's downtown headquarters and \$289,000 for additional staffing in the Department's nine field offices.

Supervisor Antonovich made the following statement:

"Historically, the Department of Public Works has had a net County cost (NCC) allocation approved in the annual budget for special projects in the Public Ways/Public Facilities General Fund Budget. This NCO allocation funded emergency or urgently needed projects such as landslide mitigation unrelated to Flood Control and Road projects or rights of way that could not be financed using restricted funds.

"As a result of the State's budget deficit, the Fiscal Year 2003-04 NCC allocation for special projects in the Public Ways/Public Facilities Budget was eliminated as a measure to help absorb the funding curtailments that the State is passing on to the County.

"Public Works will, of course, respond to emergencies and urgently needed projects as identified by the Board of Supervisors that are not eligible for funding from their restricted funds. However, general funds will then need to be appropriated to Public Works. It seems to be more efficient that the historical NCC funding to Public Works continue."

Jim Noyes, Director of Public Works, addressed the Board.

After discussion, Supervisor Antonovich made a motion that the Board instruct the Chief Administrative Officer to restore \$200,000 to the Fiscal Year 2003-04 Public Ways/Public Facilities General Fund Budget for special projects.

Supervisor Yaroslavsky made a suggestion that Supervisor Antonovich's motion be amended to instruct the Chief Administrative Officer to instead restore \$100,000 to the Fiscal Year 2003-04 Public Ways/Public Facilities General Fund Budget for special projects, and return to the Board if necessary to increase the funding. Supervisor Antonovich accepted Supervisor Yaroslavsky's amendment.

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Supervisor Antonovich's motion, as amended, seconded by Supervisor Knabe, was duly carried by the following vote: Ayes: Supervisors Yaroslavsky, Knabe, Antonovich and Burke; Noes: Supervisor Molina.

Supervisor Molina made the following statement:

"In 1998, the Board approved an ordinance creating an Accumulative Capital Outlay Account to support the purchase of medical equipment associated with the LAC+USC Medical Center Replacement Project.


"The Board must ensure that the use of these funds is appropriately monitored to prevent waste and abuse in the procurement of equipment. To date, the Board has not been provided a detailed, itemized plan for how this account will be utilized.

"Additionally, as noted by the Chief Administrative Officer, the original ordinance was drafted to allow any funds deposited into this account to be used only for the purchase of medical equipment. We have now been informed that the transition into the new hospital will require not only the purchase of new medical equipment, but the information systems necessary to implement a paperless clinical environment and other costs to support the transition of patients from the current hospital to the new facility as well."

Therefore, on motion of Supervisor Molina, seconded by Supervisor Yaroslavsky, unanimously carried, the Board took the following actions:

1. Instructed the Auditor-Controller to report back in 30 days on what safeguards exist to ensure the use of funds from the Accumulative Capital Outlay Account for the purchase of medical equipment associated with the LAC+USC Medical Center Replacement Project are properly authorized by the Board and include in the report recommendations for strengthening the oversight and monitoring of this account;
2. Instructed the Auditor-Controller to establish a Provisional Financing Unit to serve as a repository for the \$105 million designated for the Accumulative Capital Outlay Account until a detailed report is prepared by the Department of Health Services outlining how the funds will be used, and until that report is presented to and adopted by the Board; and

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3. Instructed the Chief Administrative Officer and Director of Health Services to work with County Counsel and the Auditor-Controller to draft an amendment to Section 4.16.220 of Title 4 of the County Code to expand the allowable use of funds in the Accumulative Capital Outlay Account to include other activities related to the replacement project, such as transition of patients and staff to the new facility and to make any amendments necessary, based on the Auditor-Controller's report, to strengthen the oversight of the management of this account.

On motion of Supervisor Knabe, seconded by Supervisor Antonovich, duly carried by the following vote: Ayes: Supervisors Molina, Yaroslavsky, Knabe, Antonovich and Burke; Noes: None, the Board authorized an account to be established in Provisional Financing Uses in amount of \$3,451,333; and requested the Sheriff to report back to the Board within 30 days on how he plans to use the funds for Sheriff suppression programs, what areas of the County will be included in the programs, and what would be accomplished with this allocation. (ALSO SEE S-1 THIS DATE)

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Attachment

Copies distributed:
Each Supervisor



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

November 20, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**ADOPTION OF GUIDELINES FOR THE LAC+USC
MEDICAL CENTER ACCUMULATIVE CAPITAL OUTLAY FUND
(3-VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt a policy that all appropriation requests submitted to the Board for the LAC+USC Medical Center Accumulative Capital Outlay Fund must also include itemized equipment listings that support the amount recommended for spending. The policy would also require non-equipment spending proposals also be itemized in the event that the Board expands the use of the ACO Fund to permit expenditures for services and supplies or other items not defined as equipment. Significant changes to the itemized spending proposal (where a line item changes by \$250,000 or greater) would require Board approval.
2. Instruct the Department of Health Services to file an annual financial report to the Board (in conjunction with year-end closing) that indicates the ACO Fund's beginning fund balance, new revenues, transfers from other funds, itemized expenditures, and ending fund balance. The amount of ending fund balance that has been encumbered should also be disclosed and itemized.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On September 16, 2003, your Board instructed the Auditor-Controller to report back on existing safeguards related to the newly established LAC+USC Medical Center Accumulative Capital Outlay Fund (ACO Fund). We were also directed to identify recommended actions that would strengthen the oversight and monitoring of this account.

Implementation of Strategic Plan Goals

This action is consistent with the County's Strategic Plan goal of Fiscal Responsibility.

FISCAL IMPACT/FINANCING

No fiscal impact.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Background and Existing Budget Controls

On September 16, 2003, your Board authorized the transfer of \$105 million into the ACO Fund and established a corresponding designation as part of the final accounting adjustments for 2002-2003. For the 2003-2004 County Budget, the Board used the same \$105 million to establish a Provisional Financing Uses appropriation in the ACO Fund.

In accordance with County policy, amounts placed in Provisional Financing Uses are not available for spending without further Board approval. It should be noted that amounts placed in a designation account are similarly restricted and cannot be spent without a Board-approved budget adjustment.

The County ordinance that established the ACO Fund currently limits its use to the replacement of medical equipment related to the LAC+USC Medical Center replacement project. The Board has directed that this ordinance be expanded to include other expenditures associated with the replacement project. Recommended changes to the ordinance are in progress and will be brought back to the Board for consideration and approval.

Proposed Budget Controls and Financial Reporting

Equipment purchases within each County budget unit are budgeted at a single aggregate amount, regardless of the number of items to be purchased. Existing County policies require departments to provide equipment details at the time they submit budget requests to the CAO. However, such details are not included with the Proposed County Budget, Final Budget, or other budgetary changes that require Board approval. To strengthen the oversight of ACO Fund expenditures, we recommend that detailed equipment listings accompany all budget requests submitted to the Board for the ACO Fund.

If the definition of the ACO Fund is expanded to include non-equipment items, such as moving costs, other services, or supplies, these items would be budgeted under the line item "Services and Supplies." We recommend that this budget, if adopted, be supported by details similar to the itemized equipment budget.

To implement these changes to County budget policies, itemized details would be required to support recommended spending in the ACO Fund at the time of the Proposed and Final County Budgets. After the Final Budget is adopted, recommended actions to increase (or decrease) spending in the ACO Fund should also be accompanied by itemized listings. Significant changes to the itemized listings (where a line item changes by \$250,000 or greater) would require Board approval. The \$250,000 amount is similar to an existing requirement for all proposed major equipment purchases.

We also recommend that the Department of Health Services file an annual financial report for this Fund. This report would be prepared and submitted in conjunction with other year-end closing activities. The report should consist of the beginning fund balance, new revenues, transfers from other funds, itemized expenditures, and ending fund balance. The amount of ending fund balance that has been encumbered should also be disclosed and itemized.

CONCLUSION

The proposed recommendations will provide your Board with more detailed information about the types of equipment items and any other authorized expenditures associated with the replacement project.

Respectfully submitted,

J. Tyler McCauley
Auditor-Controller

JTM:JN

Admin/lac+usc board letter-rev

c: David E. Janssen
Violet Varona-Lukens
Thomas L. Garthwaite